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RUCNIRA/IRAN COLLECTIVE PRIORITY

RUCNRAQ/IRAQ COLLECTIVE PRIORITY

RUEHHH/OPEC COLLECTIVE PRIORITY

RUEHJI/AMCONSUL JEDDAH PRIORITY 9587

RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHINGTON DC PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RUEKDIA/DIA WASHINGTON DC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

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PREL, SA, SMIG

SUBJECT: CODEL RAHALL IN SAUDI - DISCUSS OIL, IRAQ AND HUMAN RIGHTS

Classified By: Deputy Chief of Mission Michael Gfoeller for reasons 1.4 (b) and (d)

¶1. (C) SUMMARY: CODEL Rahall on a visit to Riyadh met with various senior Saudi officials including Governor of Riyadh Prince Salman bin Abdul Aziz, Assistant Interior Minister for Security Affairs Prince Mohammed Bin Naif (MBN), Assistant Minister of Petroleum (MinPet) Prince Abdulaziz bin Salman bin Abdulaziz Al-Saud, business potentate Prince Walid bin Talal, and senior officials from the Saudi legislative body Majlis al-Shura and the National Dialogue Center. Critical Infrastructure Protection (CIP), Counter-Terrorism (CT), rising oil prices, human rights and regional consequences of U.S. withdrawal from Iraq were the main topics of discussion.
END SUMMARY.

¶2. (U) CODEL Rahall arrived in Riyadh for a May 27-29 visit meeting with various SAG officials. The CODEL consisted of Congressmen Nicholas Rahall (D-WV), Darrell Issa (R-CA), Ray LaHood (R-IL), Charlie Melancon (D-LA), John Linder (R-GA), Jack Kingston (R-GA), their spouses, and five Congressional staffers.

MOI

¶3. (C) MBN discussed with CODEL Rahall CIP and CT issues. He stated forcefully that the SAG is working directly with the families of terrorists as part of their overall de-radicalization program. At the same time, they are working hard to present a global image of the SAG as a force against, not for, terrorism. CODEL Rahall questioned MBN on the consequences of U.S. withdrawal from Iraq, to which MBN emphatically responded that Iraq needs the U.S. presence to preserve the &rule of law(without this, the terrorist population will increase.8

¶4. (U) Separately, MOI staffers briefed CODEL Rahall on SAG CIP and CT initiatives. MOI explained the difficulty in the long run of public perception, &the Kingdom of Saudi Arabia is now identified by some with terrorism, when in fact SAG CT efforts have been extremely successful.8 CODEL Rahall raised the issue of torture, in which the MOI was adamant in stating &we do not torture.8 Along the related issue of human rights, the CODEL also met with representatives of the

Saudi National Dialogue Center, which is working to improve societal opportunities in the Kingdom.

OIL PRICES - NO EASY FIX, PROBLEM FOR ALL

15. (U) The CODEL received a lengthy, in-depth briefing by Assistant Minister of Petroleum (MinPet) Prince Abdulaziz bin Salman bin Abdulaziz Al-Saud on issues relating to oil production, supply constraints and the impact of monetary policy on oil pricing. Prince Abulaziz explained Saudi Arabian leadership was reacting vigorously to the current high oil price climate, including investing more than \$7 billion USD in a massive expansion of the Motiva Saudi Aramco-Shell joint venture refinery in Port Arthur, Texas. (Note: When the expansion of the Motiva is complete, it will be the largest refinery in the U.S., at 600,000 bpd capacity. End note.) In the interests of increasing strained world refining capacity, Saudi Aramco is finalizing plans for two new major 400,000 bpd export refineries in Saudi Arabia, and also significantly expanding existing refineries in both Saudi Arabia and China. Prince Abdulaziz pointed out that Saudi Arabia was following through on commitments to grow production capacity to 12.5 million barrel per day. Saudi Aramco's investments over the next five years total over \$90 billion USD. However, Prince Abdulaziz cautioned that Saudi Arabia could not continue to invest in the U.S. in the face of legislation such as "NOPEC" (anti-OPEC legislation), which could put Saudi assets in the U.S. at serious risk of seizure.

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16. (U) Prince Abdulaziz continued that he shared the CODEL's concerns with high oil prices, and that he and senior Saudi leadership were afraid high oil prices would cause significant demand destruction, particularly in the U.S. He is concerned demand destruction could set the stage for a period of prolonged slow growth in the U.S or even globally. Prince Abdulaziz underscored that Saudi Arabia would be happy to increase production and sell more oil, but it could only sell in response to demands from customers. He further explained that the latest subprime financial crisis had caused a financial flight into commodities, including oil, driving up prices to the level of a financial bubble. He worried this price inflation is not sustainable, and is not healthy for the rational functioning of the oil markets.

PRINCE SALMAN AND PRINCE WALID

17. (U) CODEL Rahall met with Riyadh Governor Prince Salman to discuss issues of the historical relationship between the SAG and USG. Salman made clear that while negative media reports on Saudi Arabia in the West often create & clouds in a blue sky,⁸ the relationship is historically, presently, and will be in the future a strong one. Prince Walid briefed the CODEL on major economic issues of the Kingdom, and also discussed energy and business concerns.

MAJLIS AL-SHURA

18. (U) Senior officials from the Majlis al-Shura briefed CODEL Rahall on general issues of the bilateral relationship, but made specific reference to the current oil price spike by stating, &we (SAG) have no hands in oil prices." They maintained that &speculation, greed of big companies, lack of refineries, and taxes from Western Governments,⁸ were to blame. They urged CODEL Rahall to not support legislation in the U.S. Congress, such as NOPEC, that would damage the KSA and USG's &strong bilateral relationship.⁸

19. (U) CODEL Rahall also questioned these officials on the consequences of an immediate U.S. withdrawal from Iraq, to which the Saudis replied, &Withdrawal should be

coordinated.... but America should not withdraw suddenly.⁸

¶10. (C) COMMENT: Atmosphericics during this visit were extremely positive. The Saudis knew they had an image problem to overcome with the CODEL regarding CT support, human rights and oil prices. Regarding Iraq, the Saudis were all clear that they considered a quick, unilateral withdrawal of U.S. forces from Iraq as a recipe for regional disaster. The SAG presented factual arguments to present a balanced assessment of these issues and to provide an accurate view of the Kingdom.

FRAKER